



# Mass Insurance Federation

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## **How Auto Repair Procedures are Impacting Independent Body Shops**

An Analysis for the Massachusetts Auto Labor Rate Study Commission

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Advanced Driver Assistance Systems (ADAS) are reducing the frequency of collision claims across the United States and here in Massachusetts, but the collisions that do occur come at a lofty cost due to these intricate systems. Thanks to economies of scale, marketing, and governmental mandates, the use of ADAS have grown exponentially since introduced to the market in the 1990s. These systems, existing in some manner in almost all news cars sold today, primarily focus on crash-avoidance technologies through lane assistance, blind-spot detection, automatic emergency braking, and adaptive cruise control. The fast pace of ADAS advancements is disrupting traditional repair models that have offered consumers choice over the last century, leading to both increased labor costs and a reduction in repair capabilities of independent shops.

Using these intricate systems as a justification, auto manufacturers are attempting to circumvent the Commonwealth's Right to Repair initiatives through procedure mandates, tooling, and certification programs for ADAS and auto body repairs. As noted in a 2019 Reuters report:

*Given the unprecedented sophistication of the systems, which include lane-keeping assistance, automatic braking and blind spot detection, many automakers say only parts and repairs from their authorized dealers can ensure safety.*

*This has drawn fire from the independent repair shops and suppliers that currently dominate the aftermarket. They say they can produce parts and fix cars at a fraction of the cost to drivers but are being locked out.*

*Subaru, to take one car company, tells customers any problems caused by substitute replacement parts for its EyeSight system are not covered under its warranty: "Protect yourself and your investment by keeping your car 100% Subaru."*

*It is not alone in issuing such guidance. A Reuters review of automaker positions on advanced driver assistance systems (ADAS) repair and calibration showed that Nissan, its luxury division Infiniti, and Volvo also say parts and repairs from unauthorized dealers will affect their warranties.*



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*Some companies such as General Motors and Honda, meanwhile, say original parts and authorized installation and repairs are important to ensure safety, but stop short of warranty warnings.*

*The aftermarket dispute is escalating in the United States. Independent repair shops and parts makers have asked the Federal Trade Commission (FTC), the government agency responsible for consumer protection, and state lawmakers to intervene.<sup>1</sup>*

These types of actions by the automobile manufacturers have garnered the attention of President Joseph R. Biden, who issued an executive order on July 9, 2021, *Promoting Competition in the American Economy*, which utilizes the FTC to ensure competitive markets in the automotive repair industry, among others, continues to thrive.<sup>2</sup>

While the lack of a competitive parts market for ADAS components is one aspect of the increased cost of vehicle repairs, the most egregious example of auto manufacturers using ADAS repair procedure mandates to box-out independent repair facilities is through scanning and calibration requirements. OEM scan tools, for example, can cost more than \$10,000 per manufacturer, and the less costly non-OEM tools are increasingly restricted from full access to vehicles' systems. Additionally, manufacturer calibration procedures require repair facilities to make costly investments in expensive subscriptions to OEM websites for data, as well as complex and time-consuming repair space requirements, including 3,000+ square feet, flat surfaces, special floor coatings, no obstructions and 40+ miles of driving at highway speeds. These requirements are forcing repair facilities to either send all or a portion of a vehicle repair to a competitor dealership repair facility, while adding at least 80 minutes in labor costs just to drive the vehicle per OEM procedures for calibrations.

The insurance industry is not anti-repair facility. The industry supports efforts to bring about fairness and competition for repair shops, but technological advancements in vehicles challenge the financial stability of small independent facilities. This type of existential threat is not going to be solved through government price-fixing for auto labor rates. Rather, as is occurring across the country, Massachusetts repair shops might consider creating networks amongst themselves, or through multi-shop ownership agreements, to access the technological capabilities and financial resources needed to fix increasingly complex vehicles.

Through legislative action or another voter initiative, Massachusetts may consider further expansion of the Right to Repair ballot initiatives, passed by voters, to force greater access to and

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<sup>1</sup> [Advanced driver assistance systems spark automaker-aftermarket conflict](#)

<sup>2</sup> [Executive Order on Promoting Competition in the American Economy | The White House](#)



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reduce the cost of manufacturer repair certification programs, which could also have ancillary benefits for the Commonwealth's vocational schools. Additionally, enforcement of the current Right to Repair laws is essential to ensure that access to repair and diagnostic tools and access to all necessary vehicle data to complete repairs is available at competitive rates. These steps could foster more meaningful competition in the repair market and provide repair facilities with more long-term protection than a government-set labor rate, which will increase repair costs without any tangible consumer benefit.